1.6 Chapter 9: Energy

Free trade was a reality for large parts of Canadian energy trade before the existence of the Free Trade Agreement. The FTA formalized a situation which had been created since 1984 by a series of policy and regulatory changes. The most notable effect of the FTA on the energy sector is enhanced investor confidence. The FTA has assured investors, on both sides of the border, of the continuation of trade-supportive energy policies, thereby creating a more stable trading and investment environment.

Two specific instances reflect the significance of the FTA in facilitating cross border energy trade. By referring to the FTA, Canada was able to maintain full national treatment for the pricing of gas exports to Northern California when the California Public Utilities Commission proposed the introduction of discriminatory requirements. The FTA was cited as a positive factor in the process leading to the approval of the Iroquois natural gas pipeline by the U.S. Federal Regulatory Commission. The sponsors of the pipeline estimate that the project will generate approximately $800 million annually for Canadian producers. It will also generate 3,800 pipeline laying jobs and substantial orders for Canadian steel.

1.7 Chapter 10: Trade in Automotive Products

The FTA did not affect the free and secure access to the U.S. market provided by the Auto Pact.

The Select Auto Panel, established under Article 1004 with a mandate to propose public policy and private-sector initiatives to improve the competitiveness of the North American automobile industry, continued its work on customs procedures, standards, regulations and statistics. On August 3, 1990, the panel co-chairmen, Mr. Darcy McKeough of Canada and Mr. Peter Peterson of the USA, recommended that the North American value-added (NAVA) requirement be raised from 50% to 60%. This recommendation did not reflect the fact that a considerable number of Canadian members were concerned that the impact of the change could result in a significant proportion of the adjustment costs falling on Canada. As a result, Canada indicated that increasing the NAVA content rule would not be considered unless it clearly benefited the Canadian industry and improved its competitiveness and only after the Panel's views on global competitiveness had been received. The Panel's report on global competitiveness is likely to be presented during the course of 1991.

Canada provided the USA with the final list of manufacturers in Canada which qualify for duty waivers under the Auto Pact and other duty remission programs pursuant to Annex 1002.1 of Chapter 10.